

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: City of Eastpointe, Michigan Employees' Death Benefit Plan	County Macomb
Audit Date June 30, 2004	Opinion Date October 29, 2004	Date Accountant Report Submitted To State: December 30, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 10 South Main Street, Suite 200	City Mt. Clemens	State MI	ZIP 48043
Accountant Signature 			

City of Eastpointe, Michigan Employees' Death Benefit Plan

**Financial Report
June 30, 2004**

City of Eastpointe, Michigan Employees' Death Benefit Plan

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Independent Auditor's Report

To the Board of Trustees
City of Eastpointe, Michigan
Employees' Death Benefit Plan

We have audited the accompanying financial statements of the City of Eastpointe, Michigan Employees' Death Benefit Plan as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the City of Eastpointe, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note I, the financial statements present only the City of Eastpointe, Michigan Employees' Death Benefit Plan and do not purport to, and do not, present fairly the financial position of the City of Eastpointe, Michigan as of June 30, 2004 and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the City of Eastpointe, Michigan Employees' Death Benefit Plan at June 30, 2004 and the changes in plan net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The City of Eastpointe, Michigan Employees' Death Benefit Plan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

October 29, 2004

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City of Eastpointe, Michigan

Employees' Death Benefit Plan

Statement of Plan Net Assets

June 30, 2004

Assets

Cash and cash equivalents (Note 2)	\$ 9,090
Investments - Corporate bonds and other securities (Note 2)	<u>815,936</u>
Total assets	825,026

Liabilities - Accounts payable	<u>518</u>
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Net Assets Held in Trust for Death Benefits	<u><u>\$ 824,508</u></u>
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City of Eastpointe, Michigan

Employees' Death Benefit Plan

Statement of Changes in Plan Net Assets

Year Ended June 30, 2004

Additions - Investment income	\$ 25,027
Deductions - Benefit payments	<u>13,518</u>
Net Increase in Plan Net Assets	11,509
Net Assets Held in Trust for Death Benefits - July 1, 2003	<u>812,999</u>
Net Assets Held in Trust for Death Benefits - June 30, 2004	<u><u>\$ 824,508</u></u>

City of Eastpointe, Michigan

Employees' Death Benefit Plan

Notes to Financial Statements June 30, 2004

Note 1 - Plan Description and Summary of Significant Accounting Policies

The City of Eastpointe Employees' Death Benefit Plan (the "Plan") covers all individuals who are members of the City of Eastpointe, Michigan Employees' Retirement System (164 current retirees and 163 active employees as of June 30, 2003, the date of the most recent actuarial valuation of the City of Eastpointe, Michigan Employees' Retirement System). The Plan provides one-time death benefit payments ranging from \$2,000 to \$10,000. The Plan's financial statements are also included in the basic financial statements of the City of Eastpointe, Michigan as a Pension and Other Employee Benefit Trust Fund. Management has elected not to present a management's discussion and analysis in the financial report.

Basis of Accounting - The Plan uses the accrual method of accounting. No contributions to the Plan are required. Benefit payments are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are financed through investment earnings.

Method Used to Value Investments - Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

Note 2 - Deposits and Investments

The Plan's deposits and investments at June 30, 2004 are included on the statement of plan net assets under the following classifications:

Cash and cash equivalents	\$ 9,090
Investments	<u>815,936</u>
Total	<u>\$ 825,026</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

Bank deposits (checking account)	\$ 312
Investments in securities, mutual funds, and similar vehicles	<u>824,714</u>
Total	<u>\$ 825,026</u>

Deposits - The Plan's deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$312, all of which was covered by federal depository insurance.

City of Eastpointe, Michigan

Employees' Death Benefit Plan

Notes to Financial Statements June 30, 2004

Note 2 - Deposits and Investments (Continued)

Investments - The Plan is authorized by Michigan Public Act 485 of 1996, as amended, to invest in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, investment pools that are composed of authorized investment vehicles, certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain State and local government obligations, and certain other specified investment vehicles. At June 30, 2004, there were no investments in any one organization (other than the U.S. government) in excess of 5 percent of net assets available for benefits.

The Plan's investments are categorized in the financial statements to give an indication of the level of risk assumed by the entity at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Plan's name. Category 3 includes uninsured and unregistered investments, for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Plan's name.

The Plan's investments at June 30, 2004 were classified as follows:

	Category			Carrying Amount (Fair Value)
	1	2	3	
Corporate bonds and other securities	\$ -	\$ -	\$ 815,936	\$ 815,936
Mutual funds				8,778
Total investments				\$ 824,714

The mutual funds are registered with the SEC and are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in mutual funds comply with the investment authority noted above.

City of Eastpointe, Michigan Employees' Death Benefit Plan

**Notes to Financial Statements
June 30, 2004**

Note 3 - Risk Management

The Plan's exposure to risk of loss, other than investment market loss, is minimal. Exposure is limited primarily to errors and omissions. The Plan manages risk by participating with the City of Eastpointe, Michigan in the Michigan Municipal Risk Management Authority risk pool.